
THE FARM CREDIT COUNCIL

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August 15, 2008

Mr. Gary Van Meter
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Mr. Van Meter:

The Independent Community Bankers of America (ICBA) issued a press release and posted on their website a comment letter dated August 15 which we assume is being filed as of this date for your consideration. Most of the commentary in their letter parrots the points made in the letter submitted by the American Bankers Association (ABA) on August 6. I have submitted extensive rebuttals of their comments that apply equally to ICBA's repetition of those points.

However, the ICBA comment contains some extensive discussion regarding legislative proposals brought forward by the System for consideration as a part of this year's Farm Bill and they both inaccurately describe those proposals as well as the history surrounding them. In addition, in a footnote to their comment, ICBA falsely suggests that the current regulatory proposal by the Agency is directly based on the recent System strategic planning effort known as the HORIZONS project. We would like to correct the record on these matters.

Nothing in the HORIZONS report or the legislative proposal ever suggested that there was a need for a change in the investment authority of the System. The legislative proposals of the System specifically dealt with the direct lending authority of System institutions as it applied to the ability of the System to lend to certain farm-related businesses and rural homeowners.

In fact the mission related investment pilot project that FCA embarked on in 2005 predated any recommendations coming out of the HORIZONS project. The HORIZONS report recognized that the pilot program was underway and expressed support for it with the full recognition that the investment authority under which it was being carried out was sufficient.

It is noteworthy that the Agency prior to the Farm Bill conducted briefings for staff of the Congressional Agriculture Committees, those that have direct jurisdiction over the System, and made sure that they were fully informed of the extent and purpose of the investment pilot project and the use of the System's investment authority as the statutory basis for this program. So as those Committees moved forward with consideration of the Farm Bill they were aware that this program was underway. At no time during the Farm Bill debate was it suggested that Congress had a desire to reject the use of this authority in this manner or that this program should be halted. At no time did the Committees bring this matter up for a vote and at no time was it rejected.



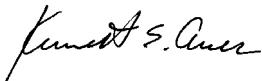
As the Agency clearly points out in the preamble to the proposed regulation, it has been a long standing, recognized practice by the Agency to permit System institutions to invest in municipal bonds and other investment vehicles utilizing the investment authority. At no point has Congress sought to intervene and raise concerns that this is an inappropriate use of the flexible investment authority built into the statute. The fact that Congress failed to Act to stop the demonstration project in the face of specific knowledge that the project was on-going is a far more powerful statement of support for this effort than their rejection of changes to the System's direct lending authority is a statement of opposition.

No matter how much the ICBA may want to rewrite history, the facts do not support their revisionary attempts. As I have stated in another comment letter, the Congress clearly reaffirmed in the Farm Bill its approval for the Farm Credit System to provide support for rural entrepreneurs, even those outside of agriculture in the rural community --- and in the case of this program, Congress has made clear that "rural" includes communities of up to 50,000 in population.

The arguments made by the ICBA ill-serve the millions of rural Americans that use community banks. We would hope that at some point, on some issue, ICBA and their cousin ABA will discover that working in a positive way to ensure greater investment in the rural economy will be in the long run far better for their membership than their current efforts.

I trust this clarification will be helpful to you as you consider their comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kenneth E. Auer".

Kenneth E. Auer
President and CEO